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June 27, 2006

Via Hand Delivery
Ms. Beth O'Donnell
Executive Director
Public Service Commission
211 Sower Boulevard
P. O. Box 615
Frankfort, Kentucky 40602-0615

RECEIVED

JUN 27 2006

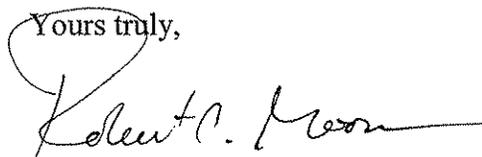
PUBLIC SERVICE
COMMISSION

Re: Airview Utilities, LLC: Case No. 2006-00094

Dear Ms. O'Donnell:

Please find enclosed for filing the original and eight copies of the Answers to Commission Staff's Interrogatories and Requests for Production of Documents filed on behalf of Airview Utilities, LLC. Please contact me if you have any questions concerning this matter.

Yours truly,



Robert C. Moore

RCM/neb

cc: Larry Smither and Marty Cogan

COMMONWEALTH OF KENTUCKY

RECEIVED

BEFORE THE PUBLIC SERVICE COMMISSION

JUN 27 2006

In the Matter of:

PUBLIC SERVICE
COMMISSION

APPLICATION OF AIRVIEW UTILITIES)	
LLC TO EXTEND THE MONTHLY)	CASE NO.
SEWER SURCHARGE APPROVED IN)	2006-00094
CASE NO. 2003-00494)	

**ANSWERS TO COMMISSION STAFF'S INTERROGATORIES
AND REQUESTS FOR PRODUCTION OF DOCUMENTS**

1. At page 2 of its Application, Airview states that in October of 2005 a new control/chlorine building was constructed and in January 2006 a chlorinator was installed. Airview explains that items were paid for with the accumulated money from the surcharge, "[b]ecause there wasn't enough money left at the end of each month from the normal sewer fees to pay for these items."

a. Explain in detail why Airview did not obtain long-term financing to fund these construction projects.

ANSWER: Airview Utilities, LLC purchased the Airview Estates WWTP on October 4, 2005. Shortly thereafter, Airview Utilities, LLC discovered that the condition of the chlorinator building had deteriorated to the point that it would not provide the necessary protection to the chlorinator during the upcoming winter season. The chlorinator could not be repaired and the decision was then made to demolish the old chlorinator building and construct the new chlorinator building at a cost of \$4,202.48. In early January 2006 the chlorinator failed and had to immediately be replaced, as the proper operation of the chlorinator is necessary for the disinfection required to maintain the discharge from the Airview Estates WWTP in compliance

with its KPDES permit. Therefore, a new chlorinator was installed on January 5, 2006 at a cost of \$1,303.15. Airview Utilities, LLC, did not obtain long term financing to fund the replacement of the chlorinator building and the chlorinator because in the experience of the members of Airview Utilities, LLC, independent financial institutions will not make loans to privately owned wastewater treatment plants. Furthermore, there was insufficient time to attempt to obtain long term financing. This is particularly true where Airview Utilities, LLC closed on the transfer of the ownership of the Airview Estates WWTP on October 4, 2005 and did not receive in the transfer any cash reserve, only accounts payable. Airview Utilities, LLC was also working to determine the amount of monthly payments that it would receive from the customers of the wastewater treatment plant, so it was unsure whether long term financing would be necessary. Finally, the cost of long term financing would have increased the cost of the necessary repairs to the rate payers. In order to address this situation, and after discussions with Mark Frost of the Public Service Commission concerning repayment of the surcharge account or a request to extend the surcharge, on February 27, 2006, Airview Utilities, LLC filed its request with the Commission to extend the time of the surcharge and to include the cost of the replacement of the chlorinator building and chlorinator in the surcharge

b. If operating revenues are established to pay for current operating expenses, explain why Airview would expect that it would be able to fund capital projects with the revenue flow from current operations.

ANSWER: Airview Utilities, LLC has requested that the cost of the construction of the chlorine building and the chlorinator be included in the surcharge and does not expect the cost of same to be paid out of current operating expenses. The Commission was aware that extraordinary

repair costs were being incurred at the Airview Estates WWTP, as reflected by the approval of the surcharge for the capitol repairs necessary at the subject wastewater treatment plant. That is the reason why Airview Utilities, LLC requested the extension of its surcharge in its letter of February 27, 2006 to the Public Service Commission. The replacement of the chlorine building and the chlorinator was not included in the request for surcharge, as that request was submitted by Airview Estates, Inc., and not ruled upon until June 14, 2004, prior to the failure of the chlorine building and the chlorinator.

2. Given that Airview financed the construction projects for the control/chlorine building and the chlorinator with its surcharge collection proceeds, explain why the Commission should not initiate a show cause proceeding against Airview for not following surcharge requirements the Commission ordered in Case No. 2005-00022.

ANSWER: Immediately subsequent to the financing of the construction project for the chlorine building and the chlorinator with surcharge collection proceedings, Larry Smither with Airview Utilities, LLC contacted Mark Frost with the Commission, for guidance in addressing this situation. Mr. Frost and Mr. Smither discussed the repayment of the surcharge account or a request to extend the surcharge. Accordingly, on February 27, 2006, a letter was forwarded to the Public Service Commission by Larry Smither requesting the extension of the surcharge to cover the cost of constructing the chlorine building and the replacement of the chlorinator. Mr. Frost gave no assurances that the Commission would approve the extension of the surcharge. Additionally, Brian Rice with the Public Service Commission recently inspected the Airview Estates WWTP and took photographs documenting the construction of the chlorine building and the chlorinator and confirming that these improvements to the WWTP funded by the surcharge

had been made.

3. a. For each vendor listed below, describe in detail the relationship, if any, to Airview and its owners, and if affiliated, provide copies of the competitive bids from 3 nonaffiliated sources.

ANSWER: Airview Estates, Inc. submitted the original application for surcharge containing the quotes provided by Smither Consulting Company, Covered Bridge Utilities, Inc., Camden Environmental Sales, Inc., Paul's Fencing and Gate Shop, Masters Supply and U.S. Filter. At the time the application for surcharge was submitted by Airview Estates, Inc. these entities were not affiliated or related in any way with Airview Estates, Inc.

- (1) Smither Consulting Company - Smither Consulting Company is owned by Larry Smither. Larry Smither is a member of Airview Utilities, LLC.
- (2) Covered Bridge Utilities, Inc. ("Covered Bridge") - The shareholders of Covered Bridge Utilities, Inc. are Marty Cogan and Larry Smither. Marty Cogan and Larry Smither are the members of Airview Utilities, LLC.
- (3) Camden Environmental Sales, Inc. ("Camden") - Larry Smither is the sole shareholder of the shares of Camden Environmental Sales, Inc. Larry Smither is a member of Airview Utilities, LLC
- (4) Paul's Fencing and Gate Shop- The members of Airview Utilities, LLC have no ownership interest in Paul's Fencing and Gate Shop.
- (5) Masters Supply - The members of Airview Utilities, LLC have no ownership interest in Masters Supply; and.
- (6) U.S. Filter - The members of Airview Utilities, LLC have no ownership

interest in U.S. Filter.

b. Explain the process Airview used in choosing the vendors listed in 3(a) in the construction projects funded by the surcharge.

ANSWER: Airview Utilities, LLC did not use a bid process in choosing the vendors to construct the chlorine building and chlorinator due the time pressures involved. The failing condition of the old building was discovered after the purchase of the Airview Estates WWTP, and a new building needed to be installed prior to winter. When the chlorinator failed, it had be replaced as soon as possible in order to continue the disinfection required in order to ensure compliance with the applicable KPDES permit. With respect to the vendors utilized for the other repairs/construction covered by the surcharge, Airview Utilities, LLC used the vendors selected by the prior owner of the Airview Estates WWTP in requesting the surcharge. Additionally, the number of local vendors that are qualified to work on waste water treatment plants and that have the experience held by Smither Consulting Company, Covered Bridge and Camden is extremely limited.

4. Provide a schedule listing:

- a. the name of each current owner of Airview - Martin Cogan and Larry Smither are the members of Airview Utilities, LLC;
- b. the amount of capital each owner has invested or loaned to Airview - the members of Airview Utilities, LLC have not yet invested additional funds or made additional loans to Airview Utilities, LLC;
- c. The dates such investments or loans were made - not applicable;
- d. the purpose of the loan or investment - not applicable; and

- e. To the extent applicable, the dates and amounts of any loan repayments - not applicable.

5. In the transfer proceeding, Mr. Cogan and Mr. Smither stated that they have the necessary financial reserves to loan the limited liability company the funding necessary to assure continued operation of the plant. Explain why neither Mr. Cogan nor Mr. Smither financed the construction on the control/chlorine building or the installation of the chlorinator.

ANSWER: Airview Utilities, LLC did not obtain long term financing from its members for the construction of the chlorine building or the chlorinator because it was deemed to be the least cost for Airview's rate payers to pay the construction costs out of the surcharge and to request the Commission to extend the surcharge. The rate payers were able to avoid the costs associated with obtaining long term financing.

6. Refer to Invoice No 1222-01 dated December 22, 2005 from Covered Bridge with a total balance of \$3,949.28.

- a. Provide the itemized cost that was billed to Airview for the pick up and delivery to the remote lift station of the hydromatic pumps and control panel.

ANSWER: On December 19, 2005, Bruce Brown, John Ford's assistant, picked up the hydromatic pumps and control panel using the truck mounted crane and then delivered them to the remote lift station, where they were installed. After driving the truck mounted crane to the remote lift station, Mr. Brown remained at the remote lift station and assisted Mr. Ford in installing this equipment. The cost to pick up and deliver the hydromatic pumps and control panel to the remote lift station is included in the labor and mileage charge of \$2,838.63 reflected on the invoice. The truck mounted crane needed to be driven from Covered Bridge's shop to the remote

lift station in order to remove the old pumps which are located approximately 15 to 16 feet below ground and to install the new pumps. Each pump weighs approximately 800 pounds. It is estimated that the additional cost incurred to pick up the hydromatic pumps and control panel and deliver them to the remote lift station would be approximately \$55.00 because the hydromatic pumps and control panel were picked up from D & F Distributing on Ulrich Avenue in Louisville, Kentucky, which added approximately 37 miles to the trip from Covered Bridge's shop to the remote lift station, plus one hour involved in picking up the equipment and driving 37 miles.

b. Provide an analysis comparing the amount billed by Covered Bridge for the pick up and delivery of the hydromatic pumps and control panel with the amount Camden would have billed for shipping equipment to the lift station.

ANSWER: The hydromatic pumps and control panel purchased from Camden could not have been shipped directly to the lift station for delivery without having available the equipment necessary (truck mounted crane) to unload the hydromatic pumps and control panel. The truck mounted crane was necessary in order to off-load the equipment, and Camden would have had to lease a truck mounted crane or lift truck. Therefore, Camden would have billed at least the same amount as that billed by Covered Bridge for delivering the hydromatic pumps and control panel to the lift station. If the freight company delivering the hydromatic pumps and control panel from Ashland, Ohio, had delivered the equipment directly to the lift station, the truck mounted crane would have been required to be pre-positioned on site at the lift station waiting for the delivery of the equipment.

c. Explain in detail why Airview chose to have Covered Bridge pick up and deliver the hydromatic pumps and control panel rather than having Camden ship the equipment

directly to the lift station.

ANSWER: See answer to 6a and 6 b.

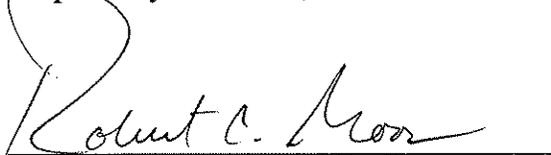
d. Explain in detail the qualifications of the individual so as to merit the payment of \$80.00 per hour.

ANSWER: The \$80.00 per hour labor charge reflected on Invoice No. 1222-01 is the labor charge for two men. One of these individuals was John Ford, an individual that has been working in the wastewater treatment plant field for almost 40 years. He is very experienced in installing control panels and pumps. Mr. Ford's assistant, Bruce Brown, is also very experienced in installing control panels and pumps with approximately 20 years experience in the wastewater treatment plant business and in installing pumps.

7. Refer to Invoice No. 1115-01. Describe in detail the qualifications of the individuals as so to merit the payment of \$40.00 per hour for 8 hours to clear brush and trees.

ANSWER: The individuals that provided the labor reflected in Invoice 1115-01 were dependable employees of Covered Bridge Utilities. The \$40 per hour includes the amount paid to these individuals, as well as overhead consisting of taxes, FICA, benefits and administrative costs.

Respectfully submitted,

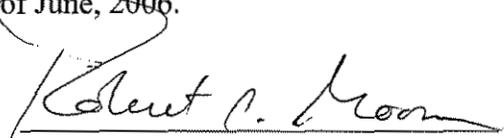


Robert C. Moore

CERTIFICATE OF SERVICE

I hereby certify that a true and correct copy of the foregoing was served by first class mail,

postage prepaid, on David Edward Spenard, Assistant Attorney General, 1024 Capital Center Drive, Suite 200, Frankfort, Ky., 40601-8204 on this the 27th day of June, 2006.


Robert C. Moore